WASHINGTON (April 13) – The House Financial Services Committee will vote on legislation Wednesday that reduces the deficit by $35 billion to help avert what the Obama administration calls “catastrophic” automatic spending cuts to national security.

“Our deficits and debt are a threat to both our economic security and our national security. Congress has an obligation to make tough choices that cut spending, reduce the deficit and do so in a way that does not imperil our nation’s defenses,” said Congressman Spencer Bachus (AL-6), who leads the Financial Services Committee as Chairman.

As part of the budget resolution adopted by the House last month, the Financial Services Committee and five other House committees were instructed to approve measures that reduce the deficit in order to prevent automatic cuts to defense and other discretionary programs. Those automatic cuts will take effect beginning in January.

The House instructed the Financial Services Committee to pass legislation that cuts the deficit by $29.8 billion over the next 10 years in programs and agencies under its jurisdiction.

The legislation that the Committee will consider next week will cut the deficit by $35 billion – exceeding its deficit reduction target by more than $5 billion – according to the Congressional Budget Office.

The Committee’s $35 billion deficit reduction package consists of four proposals:

- Ending the Dodd-Frank Act’s “Too Big to Fail” Bailout Fund – saving $22 billion
- Eliminating HAMP, a TARP-funded foreclosure program that has garnered bipartisan criticism for its ineffectiveness – saving $2.8 billion
- Making the Consumer Financial Protection Bureau subject to the appropriations process in order to bring accountability and oversight to the CFPB’s spending – saving $5.4 billion
- Reauthorizing the National Flood Insurance Program for five years and instituting reforms – saving $4.9 billion

The Committee's mark up of the deficit reduction legislation will begin at 10 a.m. on Wednesday in room 2128 Rayburn. For more information about the Committee's deficit reduction proposals, read the following:

Ending Dodd-Frank's "Too Big to Fail" Bailout Fund:
In order to ensure taxpayers are no longer the financial backstop of "too big to fail" firms, the Committee's proposal eliminates the bailout authorities created by the Dodd-Frank Act. Dodd-Frank, signed into law in July 2010, permanently established a bailout regime in which the Federal government will expend considerable sums upfront to bailout creditors of failed firms. The Act also gave the FDIC additional bailout authority, including:

- The FDIC can lend to a failing firm; purchase the assets of a failing firm; and guarantee the obligations of a failing firm;
- The FDIC can borrow up to 10% of the book value of the failed firm's total consolidated assets in the 30 days immediately following its appointment as receiver; after those 30 days, the FDIC is authorized to borrow up to 90% of the fair value of the failed firm's total consolidated assets.

By eliminating these authorities, the Committee is bringing a real end to taxpayer funded bailouts and ensuring taxpayers are never again asked to pay for bad bets on Wall Street.

The Congressional Budget Office (CBO) estimates the proposal will save $22 billion over 10 years.

Eliminating HAMP, a Failed TARP-Funded Government Program:
The deficit reduction proposal also includes H.R. 839, which was approved by the House on March 29, 2011. H.R. 839 terminates Treasury's authority to provide new assistance under HAMP, the Home Affordable Modification Program. HAMP has proven to be ineffective and failed to achieve any of the Administration's stated goals. The Special Inspector General for TARP (SIGTARP), the Congressional Oversight Panel, and the Government Accountability Office have all detailed the shortcomings of HAMP and highlighted how this program has hurt, rather than helped, struggling homeowners.Since HAMP was established in 2009, Treasury has spent $2.54 billion of the $30 billion in TARP funds set aside for program.

CBO estimates the proposal will save $2.8 billion over 10 years.

Bringing Spending Accountability and Oversight to the CFPB:
The CFPB is a large and powerful Federal agency that is – by design – accountable to neither the executive branch nor Congress. The CFPB receives its funding directly from the Federal Reserve instead of from Congress, and the CFPB director has sole authority on how the Bureau's money is spent with no oversight from Congress, the Administration or the Federal Reserve. In order to bring accountability and oversight to the Bureau's spending, the Committee proposal will subject the CFPB to the appropriations process. Under the Dodd-Frank Act, the Federal Reserve must transfer to the CFPB whatever funds its director requests, up to the following fixed percentages of the Federal Reserve's operating expenses:

- 11 percent in fiscal year 2012, or $547.8 million;
- 12 percent in fiscal year 2013, or $597.6 million; and
- 12 percent each fiscal year thereafter, subject to annual adjustments for inflation.

These funds – diverted from the Federal Reserve to the CFPB – would otherwise have been forwarded to the Treasury where they could be used to reduce the national debt.

Included in the Committee's legislation is a recommendation to appropriate $200 million for the CFPB, a realistic estimate of what the Bureau needs to carry out its consumer protection mission based on its FY 2011 budget. As with all appropriations, it is an amount that Congress can increase or lower based on agency requirements and fiscal conditions.

CBO estimates the proposal will save $5.4 billion over 10 years.

Reauthorizing and reforming the National Flood Insurance Program:
The Committee's deficit reduction plan includes H.R. 1309, a five-year NFIP reauthorization and reform bill that passed the House 406-22 on July 12, 2011. Congress has not passed a long-term reauthorization of the program since 2004. Since September 2008, Congress has passed 11 short-term extensions and allowed the program to temporarily lapse three times.

H.R. 1309 will generate an additional $4.9 billion in net income for the NFIP over the next 10 years, according to the CBO.